

# Ware Cogen Limited Partnership

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August 17, 2005

Mr. Howard Bernstein  
RPS Program Manager  
Division of Energy Resources  
100 Cambridge Street, Suite 1020  
Boston, Massachusetts 02114

RE:      Notice of Inquiry, July 1, 2005

Dear Mr. Bernstein,

Ware Cogen Limited Partnership does not support the regulations proposed in the Notice of Inquiry dated July 1, 2005.

Ware Cogen L. P. owns and is the developer of an 8.6 MW biomass facility in Ware, MA. It was the first biomass facility in Massachusetts to achieve New Renewable Generation Unit status. When operational, it will employ 12 individuals with generous wage and benefit packages, including one (1) 1<sup>st</sup> Class Engineer and four (4) 2<sup>nd</sup> Class Engineers.

The proposed changes are incompatible with the DOER's Policy Objectives, as stated in the *Background Document on the Proposed Regulation for the Renewable Energy Portfolio Standard*, dated October 3, 2001. In this document DOER stated that the RPS is "expected to stimulate development of new (*emphasis added*) electric generating units that use renewable fuels and technologies, and thereby accomplish the following policy objectives:

- "Decrease pollution from existing power plants;
- "Diversify the fuels used to generate power in or near our region;
- "Decrease our reliance on fuels imported from other regions; and
- "Moderate price volatility caused by reliance on imported fuels."

In addition, the proposed regulations:

- ◆ Are inconsistent with DOER's need to ensure improvements in the Commonwealth's environment and economy;
- ◆ Will create market uncertainty for developers, investors, and lenders; and
- ◆ Fail to stimulate development of new renewable generation units; rather, they weaken the qualification process for biomass projects, rushing older, currently operating biomass plants throughout New England, New York, and Canada to New Renewable Generation Unit status without sufficient agency or peer review.

Enactment of this proposal meets only one of the DOER's four policy objectives, decreasing pollution from existing power plants. The proposal neither further diversifies the fuels used to generate power, decreases our reliance on fuels imported, nor moderates price volatility. This emphasis on biomass fuel facilities will have a potentially devastating effect on the quantity and diversity of renewable energy facilities developed; wind and photovoltaic projects, the only two fuels that are zero emissions, will be particularly impacted.

The majority of older biomass plants that are poised to take advantage of this regulation are located outside of Massachusetts. According to data prepared and submitted by Ridgewood Renewable Power as part of its comments<sup>1</sup>, the potential supply of renewable energy from “existing” New England biomass plants totals 396.4 MW; the potential supply of renewable energy from non-New England biomass plants totals 242.4 MW. Only one biomass facility is located in Massachusetts, Pinetree Power at 17 MW. The balance of biomass plants listed is located throughout New England, New York, New Brunswick, and Quebec.

Regulations that benefit and favor older, operating plants out of state will not help the Massachusetts economy. Rather, the regulations will act as a deterrent to the Massachusetts renewables industry, defeating the purpose of the RPS. Should these biomass plants gain New Renewable Generation Unit status, the resulting series of events would harm the Massachusetts economy. These plants represent 639 MW of generation and an equal number of RECs created from that generation. If they achieve renewable status contemporaneously, RECs will flood the market and REC prices will be destroyed. RECs offer financial incentive to developers of renewable energy, and developers depend on a stable or escalating revenue stream in order to develop and operate renewable energy facilities. RECs have a current market price of \$50 each, and have recently been auctioned at \$51.35<sup>2</sup> each. If the financial incentive is removed there will be no further development of renewable energy facilities in Massachusetts, of any kind. Without an expanding renewables industry, there will be no new jobs creation; layoffs in the emerging photovoltaic and wind industries may result. Currently operating renewable energy facilities will become less profitable, which may result in the elimination of expansion plans, employee lay-offs, or ceasing operations altogether.

The Renewable Portfolio Standard (RPS) is still in its infancy. Adopted in 2002, it has been slowly gaining ground and we have yet to see the financial benefit of RECs. It is critical that the value of RECs remains strong, so that investors and financial markets develop confidence that the emerging REC markets are indeed a realistic and stable environment for investment. Stable regulations are critical to developing a strong REC market that truly encourages the financing of new, clean, renewable energy projects. Changes to the RPS and the RECs market this early in the life of the regulations will undermine confidence in the long term value of RECs, making it significantly more difficult for projects to secure financing from lenders and investors, and long term power contracts from electricity distributors. A reliable and robust RPS program demands predictability, just as developers, investors, and lenders require market stability in order to make financial decisions.

Thank you for the opportunity to comment on this issue. We look forward to participating in future proceedings.

Sincerely,

James M. Malandrinos, Partner

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<sup>1</sup> Comments of Ridgewood Renewable Power, Ridgewood, NJ, August 4, 2005: “Potential Supply of Renewable Energy from ‘Existing’ New England Biomass Plants,” and “Potential Supply of Renewable Energy from Non-New England Biomass Plants.”

<sup>2</sup> Massachusetts Technology Collaborative report dated April 20, 2005, summarizing REC auction conducted on its behalf by Evolution Markets, LLC, for Q4 2004 RECs.